



Dated: June 17, 2016

Order Instituting Rulemaking Concerning Energy Efficiency Rolling Portfolios, Policies, Programs, Evaluation, and Related Issues.

offerings would clearly be administered separately by POU's and investor owned utilities ("IOUs"), and the POU's programs would not be part of the "single lead program implementer under contract to a single lead program administrator."

I. COMMENTS ON MAY 24 RULING

The May 24 Ruling includes ideas and suggested approaches for working with statewide and third-party energy efficiency programs within the Commission-administered investor owned utilities ("IOUs") energy efficiency programs. While not the sole objective of the suggested revisions, the May 24 Ruling notes that some of the proposals include "concepts designed, in part, to respond to the mandate in [SB 350] requiring a doubling of statewide delivered energy efficiency savings."¹

SB 350 directs the California Energy Commission ("CEC") to establish, in collaboration with the Commission and POU's, "annual targets for statewide energy efficiency savings and demand reduction that will achieve a cumulative doubling of statewide energy efficiency savings in electricity and natural gas final end uses of retail customers by January 1, 2030."² These annual targets will recognize the energy efficiency savings resulting from utility programs supporting California's ambitious move towards Zero Net Energy buildings through more

¹ May 24 Ruling at p. 1.

² See Cal. Pub. Res. Code § 25310(c)(1):

On or before November 1, 2017, the commission, in collaboration with the Public Utilities Commission and local publicly owned electric utilities, in a public process that allows input from other stakeholders, shall establish annual targets for statewide energy efficiency savings and demand reduction that will achieve a cumulative doubling of statewide energy efficiency savings in electricity and natural gas final end uses of retail customers by January 1, 2030. The commission shall base the targets on a doubling of the midcase estimate of additional achievable energy efficiency savings, as contained in the California Energy Demand Updated Forecast, 2015-2025, adopted by the commission, extended to 2030 using an average annual growth rate, and the targets adopted by local publicly owned electric utilities pursuant to Section 9505 of the Public Utilities Code, extended to 2030 using an average annual growth rate, to the extent doing so is cost effective, feasible, and will not adversely impact public health and safety.

stringent Title 20 and Title 24 standards. A direct result of increased savings through codes and standards, however, is a reduction in potential energy savings from utility programs.

One of the proposals in the May 24 Ruling is to revise the definition for “statewide” that is a requirement for the twelve types of energy efficiency programs that are substantially similar across all four IOU service territories. The May 24 Ruling notes that while statewide programs “are uniform, similar, or coordinated in some fashion, depending on the specific program area” across the four IOUs, there is currently no “consistent definition or approach for statewide programs” throughout each of the four IOU service territories. To address this, the May 24 Ruling proposes a new definition for “statewide” that would be used for the IOUs’ energy efficiency portfolios and program administration:

A program that is designed to be delivered uniformly throughout the four large Investor-Owned Utility service territories by a single lead program implementer under contract to a single lead program administrator. Local or regional variations in incentive levels or measure eligibility are not generally permissible (except possibly for measures that are weather dependent) and the customer interface/experience should be identical regardless of geographic location. Statewide efforts are generally targeted upstream (at the manufacturer level) or midstream (at the distributor or retailer level), though they may include downstream approaches in some markets. They are also mainly designed to achieve market transformation and/or aimed at delivering new construction and cross-cutting (cross-sector) programs.³

As part of the goal of creating a uniform definition for “statewide” in the context of the IOUs’ energy efficiency programs, the May 24 Ruling expresses a desire to see “the same offerings even within the territories of publicly-owned utilities,”⁴ and asks for parties to comment on whether there are “specific actions that should be taken to collaborate with the

³ May 24 Ruling at p. 3.

⁴ May 24 Ruling at p. 4.

[CEC] (regarding its Existing Buildings Energy Efficiency Action Plan) and/or with the publicly-owned utilities to further advance the idea of truly statewide programs?”⁵

A. POU's Have a History of Coordinating With IOUs on Energy Efficiency Programs.

CMUA agrees that it is desirable to make programs easily accessible for customers and to have “low transaction costs for customers or market actors that have a statewide reach and whose operations do not vary significantly geographically within California.”⁶ Having similar programs offered across the state can benefit both the utilities and the customers that would utilize those programs. However, not all program types are suited to all customers in all service territories, and having a truly statewide menu of programs that must be offered in every service territory is not necessarily desirable, nor would it be feasible or economically efficient.

Given the diversity and limited geographic footprint of POU's, “statewide” has a much different meaning in the context of the POU's' programs versus the Commission's IOU energy efficiency programs. Even the smallest of the three large electric IOUs is significantly larger and more diverse, both geographically and socioeconomically, than the vast majority of POU's.⁷ Given this significant size difference, some of the statewide programs may simply not be suited to a particular POU's service territory.

POU's have historically worked together, as well as partnered with IOUs, to develop and implement similar energy efficiency programs, usually with a new program model or with new technologies. In these instances, individual POU's have always retained the discretion to incorporate specific criteria and incentive levels in their respective version of the program. This

⁵ May 24 Ruling at p. 14.

⁶ May 24 Ruling at p. 3.

⁷ For Example, 22 POU's had annual energy needs of less than 200 GWh in 2014. That is approximately 0.2% of either PG&E's or SCE's energy need and 1% of SDG&E's energy needs during the same year.

discretion provides for local variations that help ensure the cost-effectiveness of certain measures. In other instances, POUs have split from a joint effort because the POU found that its delivery model was superior to the joint approach for their particular customer base.

POUs have also found that participating in joint efforts can result in lost opportunities. For example, POUs have strong relationships with their customers and are generally well positioned to help their customers understand their energy needs. However, if these customers have to build relationships with multiple entities in order to meet their efficiency needs, then the added complexity may lead to the customer not achieving the same level of savings. Indeed, some POUs have seen significant energy efficiency program growth when implementing a program independent of an IOU, while also continuing to work together with the IOUs to share best practices.

B. POUs Must Maintain the Discretion to Tailor Programs to Their Community.

The May 24 Ruling's proposed definition of "statewide" expressly excludes regional or local variations. While this may make sense when dealing with very large and socioeconomically diverse geographic service territories of the IOUs, it is very problematic for smaller utilities (like POUs) and their local regulatory authorities that have very limited geographic service territories within which to offer these programs. For example, many POUs currently administer upstream and/or midstream rebate programs, which the May 24 Ruling envisions as the type of program that could be included in a statewide effort. Even though POUs offer similar types of programs for similar or the same energy efficiency measure (*e.g.*, LED lamps), in most cases, the POUs offer differing rebate amounts as appropriate to their specific customer bases, as determined by local officials.

The proposed “statewide” definition also presupposes that all program offerings are as needed or desirable on a statewide basis, which has not been demonstrated to be the case. POU have developed innovative approaches to program delivery that have informed IOU programs, and pursuing statewide approaches may limit the program diversity and reduce innovation. It could be that limited resources would be wasted setting up program offerings that are of little or no value within a specific POU service territory. Smaller POUs provide the opportunity for products and sub-programs to be deployed on a smaller scale (such as Tubular LEDs and Advanced Lighting Control), and consequently act as a laboratory for the larger marketplace.

Utilities also need to be able to offer programs that are tailored to their respective regions and to their customer’s specific needs. POUs have a close relationship with their customers and frequently receive input from residential and small business customers about their energy efficiency needs. It is important that POUs maintain the ability to design and adjust their energy efficiency program offerings based on customer and community input. For example, it may not make sense for a region to offer an incentive at a specific amount for a heat pump water heater or a HVAC unit if contractors in the area do not have access to the equipment or customers in the region are not be willing to pay a premium for that type of equipment. The incentive may need to be higher for the region, and/or marketing and additional contractor outreach may be required.

The relationship between POUs and their customers is critical to developing successful programs that garner interest and encourage energy efficiency investments and program participation. Targeted programs may provide an economic and efficient way to accomplish the goals of SB 350 and increase energy efficiency. POUs have learned that a thorough understanding of the factors and motivations that influence customer decision-making is vital to achieving the state’s energy efficiency goals. In addition, POUs can be highly responsive to

changes in technologies, the marketplace, and economic factors. To this end, POUs go to great lengths to plan, develop, and implement energy efficiency programs that recognize the evolving needs and motivations of the customers they serve.

C. The Deemed Savings Approach May Discourage Valuable Measures.

Uniform offerings based on the current Commission-administered IOU statewide program model has a bias towards the deemed savings approach. While POUs have found that this approach is easy to count and evaluate, relying on deemed savings discourages more comprehensive, whole building measures and encourages selection of only the least-cost measures. In order to achieve the objectives of the CEC's *Existing Buildings Energy Efficiency Action Plan*⁸ and SB 350, the Commission should encourage deeper energy retrofits by balancing the costlier measures with low-cost/no-cost measures.

D. Reliance on Single Slate of "Statewide" Programs May Provide the Wrong Incentives to Implementers.

Implementers currently have a stake in the programs they offer. This gives them an incentive to make the program successful and pushes them to innovate as well as develop region-specific marketing techniques and other services. These incentives would be the same with uniform statewide programs. Further, by consolidating these programs, there is a risk of reducing the number of firms capable of performing this type of work down to a handful of large firms. In the long run, this could increase costs and reduce innovation.

Additionally, a single administrator cannot be aware of all the programs and services within a particular region. POUs should not be hindered in exploring the benefits of bundling energy efficiency programs with demand response, electric vehicles, and other utility programs

⁸ The CEC's *Existing Buildings Energy Efficiency Action Plan* is available at http://docketpublic.energy.ca.gov/PublicDocuments/15-IEPR-05/TN205919_20150828T153953_Existing_Buildings_Energy_Efficiency_Action_Plan.pdf.

that are ideally suited for their specific customer base. For example, a downstream HVAC rebate program may be utilized to implement a residential demand response program. An electric vehicle program may provide leads for a residential energy efficiency program. Each utility will have different policies for accessing, sharing, and utilizing customer data for maximizing customer engagement and program participation. This cannot be effectively achieved through a single administrator. Pursuing statewide programs may reduce the ability to capture deeper energy efficiency savings by bundling measures, and could undermine the carbon reduction goals of SB 350.

E. Differences in Rates and Rate Structures Support Differences in IOU and POU Programs.

POUs value the ability of their local officials to determine priority needs and uses of *all* locally generated funds. Since the electricity rates for POU customers are typically lower than the IOUs, the incentive levels and delivery models need differentiation to encourage adoption of energy efficiency measures. This, at times, requires more inventive rebate structures or programs than a one-size-fits-all approach, which would be limited by a mandatory offering of statewide programs as envisioned by the May 24 Ruling.

The benefits of energy efficiency are different for POUs than for IOUs. Unlike the process for the IOUs, the POU rate-making process does not need to consider shareholder value. Therefore, any funds that are diverted towards a slate of “statewide” programs will come at the expense of other programs and expenditures that would otherwise benefit the POU’s customers. These statewide programs may not be viable and could negatively impact POU programmatic goals. The loss of these funds could also reduce the opportunities for local customer engagement and commensurate relationship-building benefits for local administrators and officials.

F. There Are Significant Areas that Should be Coordinated at a Statewide Level.

The CEC's *Existing Buildings Energy Efficiency Action Plan* can be leveraged to ensure that the POUs and IOUs, in collaboration with the Commission and CEC, can streamline their program offerings to enhance the expanded energy efficiency savings. Further efficiencies can also be achieved by more targeted mandates for new construction.

In response to California's ongoing drought, water utilities and electric utilities (both publicly owned and investor owned) collaborated in an almost unprecedented manner on offering rebates for a variety of water conservation efforts. That coordinated efforts was led and supported by the CEC, which played a productive role in bringing stakeholders together. In addition, the state played a key role in the public messaging campaign to conserve water that contributed to the significant reduction in water consumption. However, a single, uniform program was not the answer. The key was coordination and voluntary collaboration towards a common goal.

In addition to the promulgation of appliance and building energy efficiency standards, a public messaging and marketing campaign, not unlike the ongoing water conservation efforts, may be the most appropriate and effective statewide energy efficiency effort. Uniform, statewide programs should be encouraged, but not mandated. Maximizing statewide *emissions reductions* will be achieved more cost effectively thorough a wide range of program offerings. For these reasons, CMUA encourages a revision of the definition of "statewide" program to better account for local and regional needs. The Commission should also focus on ways to ensure that the utility programs complement the increased efficiencies that result from codes and standards. This will support the overarching intent of SB 350's energy efficiency reduction goal, reducing statewide greenhouse gas emissions.

II. CONCLUSION

CMUA appreciates the opportunity to provide these comments to the Commission.

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Respectfully submitted,

A handwritten signature in black ink, appearing to read "Justin Wynne", with a stylized flourish at the end.

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